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SUMMARY RECORD OF THE 5th MEETING

Held at Headquarters, New York,
on Thursday, 21 February 1991, at 10 a.m.

President:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. SOUTTER (Vice-President)	(Canada)
later:	Mr. PIRIZ-BALLON (President)	(Uruguay)

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The meeting was called to order at 10.15 a.m.

AGENCY SUPPORT COSTS (continued) (DP/1991/7)

1. Mr. ROHNER (Switzerland) expressed the hope that UNDP-financed technical cooperation activities would be more clearly defined under a successor arrangement for agency support costs. The new arrangement should involve recipient countries and promote accountability to a greater degree than its predecessor. To that end, the Council must concern itself first and foremost with the content of the assistance provided and how to obtain the best results from each project. UNDP, Governments and agencies should therefore avoid taking a "black-or-white" approach (i.e. agency versus national execution), but rather seek the best possible mix of execution modalities.

2. His delegation attached great importance to the consultations currently being held. Considerable clarification was still necessary with respect to amounts, percentages and the content of the three new categories: technical services support facilities (TSS-1 and TSS-2) and administrative and operational services (AOS). As TSS-1 was a new facility with no basis for comparison, it would be more helpful to consider amounts rather than percentages. For the time being, his delegation was satisfied with the apportionment of funding between UNDP and the agencies.

3. With respect to TSS-2, content, volume and figures must be specified. His delegation would have preferred a higher allocation for TSS-2. It also wondered whether the 10 per cent indicated for AOS as a working hypothesis would be maintained, or whether it should be lower, and looked forward to whatever clarification might be provided by a study on costs and differential rate structure. Lastly, his delegation endorsed a number of comments which had been made earlier by the representatives of the United Kingdom and Germany.

4. Mr. KOCH (Canada) said that while his delegation appreciated the effort made by both UNDP and the agencies, it was disappointed that so much of that effort had been focused on calculating the sums of money involved. It had hoped that greater progress would be achieved in the substantive elaboration of successor arrangements.

5. In providing input to the Administrator for the next phase of the process, the Council should focus on two main objectives. The first, and most important, was to improve the sustainability, effectiveness and impact of UNDP-assisted programmes, in part by increasing national responsibility for key aspects of the project cycle. In that connection, every effort must be made to ensure that UNDP efforts were attuned to national circumstances. The second objective was to offer the agencies appropriate incentives to sharpen their technical capacities and, at the same time, de-emphasize the operational aspects of projects. While the support cost regime could be helpful in that regard, it must be remembered that developing countries - not the agencies of the United Nations system - were the beneficiaries of UNDP programmes.

(Mr. Koch, Canada)

6. The overall financial levels for TSS-1 and TSS-2 might represent a realistic compromise between sharply divergent views. Pending receipt of the information on financing requested in paragraph 10 of Governing Council decision 90/26 on agency support costs, TSS-2 should be limited to involving agencies in projects only where they were not otherwise engaged. Support costs for large and small agencies alike should be integrated in the IPF sub-line as an incentive to national execution. Referring to the issue of flexibility provisions, he expressed doubt that the regime should be expanded to cover units such as the regional commissions of the United Nations.

7. Mr. HAMAI (Algeria) said that one positive by-product of the support cost regime had been the reassessment of the executing agencies' role; another had been the opening of in-depth dialogue between UNDP and those agencies. A flexible, gradual approach should be taken in introducing the new arrangements, in order to ensure a smooth adaptation by all parties concerned. The new arrangement should encourage national execution under the most favourable conditions and rational use of resources, while maintaining the tripartite nature of multilateral technical cooperation.

8. Mr. FONDI (Italy) expressed concern about the differences over very central issues in the successor arrangements for agency support costs. The actual needs under TSS-2 should be carefully considered. The experience acquired by the specialized agencies during TSS-1, particularly in the areas of agriculture and industry, was very valuable and must be safeguarded. The successor arrangements were not intended to penalize the agencies, but rather to benefit all parties concerned, particularly the least developed countries. New arrangements must be realistic and of sound technical quality. In the initial stages, a transitional arrangement would ensure a constant flow of resources to the agencies and avoid disruptions in their work.

9. Ms. GUNDUZA (Zimbabwe) said that her delegation supported the statement by the representative of India. Governing Council decision 90/26 was a useful framework for determining successor arrangements, and she welcomed the progress already achieved by both UNDP and the specialized agencies in that regard.

10. The total cost of the successor arrangements should not exceed the financial resources provided for in the financial envelope for the fifth cycle, i.e. a ceiling of 14 per cent of field programme resources. In the light of Governing Council decision 90/21 on national execution, the percentages in document DP/1991/7 for projects to be implemented by the five large agencies might be inaccurate or unrealistic. That decision contained incentives for execution of projects by recipient Governments, depending on their national capacity.

11. The proposal for central earmarking by UNDP to individual countries/programmes was not consistent with her delegation's understanding of decision 90/26 and clarification would be appreciated. Lastly, her delegation would welcome the

(Mr. Gunduza, Zimbabwe)

establishment of uniform AOS rates at the earliest possible date in order to avoid project-by-project negotiation. That would facilitate national execution by recipient Governments.

12. Mr. Soutter (Canada), Vice-President, took the Chair.

13. Mr. TAL (Director, Planning and Co-ordination Office, United Nations Development Programme) acknowledged that consideration of the financial envelope had indeed required more time than anticipated. Even so, from the outset, the larger substantive aspects of successor arrangements had been taken into account. Perhaps the annexes in document DP/1991/7 did not adequately reflect the amount of time and work required to formulate the new concepts before the Committee. Further information would not be available by the June 1991 session, but would be provided in 1992.

14. Replying to questions by a number of delegations on the allocation of funds under TSS-2, he referred to Governing Council decision 90/26, paragraph 10. The issue was not one of assigning priority among the projects of individual field offices, but rather of gearing response to need in each case. He wished to clarify that sub-line amounts were still subject to review. Precise details on Special Programme Resources (SPRs) and intercountry programmes would be furnished at a later stage.

15. Since an enormous amount of work had been required to study successor arrangements, somewhat less emphasis had been placed on national execution. That issue, however, was being closely reviewed in consultation with Government. A comprehensive report would be submitted to the Governing Council at the June 1991 session on national execution and its relationship to successor arrangements.

16. Replying to questions concerning administrative and operational services, he said that a progress report would be submitted to the Council at the June 1991 session on methodology and the consultant's preliminary findings on rates, but that a full rate structure would probably not be ready. In general, rates would be established for similar services, but they would not necessarily be identical for all services by all agencies.

17. Mr. AKRAM (Pakistan) said that his delegation had taken note of the consultative process by which the UNDP administration and the specialized agencies had formulated proposals for the successor arrangement. The issue of agency support costs, however, was larger than reimbursing specialized agencies for project execution. The real objective was to improve the functioning of tripartite execution and, as a first step, to allow Governments a fuller role in the process. His delegation agreed that support cost lines should be transferred to project budgets as a separate line. Transferring responsibility for funds to recipient Governments would be an incentive to more effective management. It would also dovetail with the significance accorded to national execution by General Assembly resolution 44/211.

(Mr. Akram, Pakistan)

18. In the past, 13 per cent of support costs had been used by the United Nations agencies for purely administrative purposes, while technical support had been charged to project budgets. His delegation was concerned that the agencies might be receiving more funds under the new arrangement than they had under the former system. The support costs should not become a major source of income for the agencies lest the incentives thus given them to maintain their current size should impair the objectivity of the technical advice they provided to countries in their programming exercises. The 3 per cent allocated for technical support at the programme and project levels should not become a pretext for transferring administrative costs to that budget line. Lastly, his delegation expected the June 1991 report to contain a precise definition of technical support.

19. Mr. Piriz-Ballón (Uruguay) resumed the Chair.

20. The PRESIDENT said that, if he heard no objection, he would take it that the Council agreed that a draft decision on agency support costs should be formulated through informal consultations.

21. It was so decided.

ANNUAL REVIEW OF THE FINANCIAL SITUATION: STATUS OF THE SYSTEMS REVIEW PROJECT AND THE FEASIBILITY OF DEVELOPING A COMMON SYSTEM

22. Mr. NIWA (Assistant Administrator and Director of the Bureau for Finance and Administation, United Nations Development Programme) referred to paragraph 5 of Governing Council decision 90/44, which requested a report at the current session on the status of the UNDP systems review project and the feasibility of developing a common system with the United Nations Secretariat. Since June 1990, UNDP had been carrying out an Integrated Administrative Systems Project covering the areas of finance, human resources management, travel, administration, procurement and inventory management. The project team had analysed business processes and activities in order to identify functions which could be streamlined and rationalized, forming a basis for future decentralization to the field of certain central administrative tasks. The study was also developing application requirements and logical systems designs for future implementation.

23. In the course of the project, UNDP had worked very closely with the United Nations integrated management information system (IMIS) team, initiated in 1989, in order to determine whether the IMIS approach met UNDP's requirements. The UNDP systems review project and the United Nations integrated management information system project were still ongoing, and it was not yet possible to formulate final recommendations. Another report summarizing the findings would be submitted to the Governing Council at its June 1991 session.

24. An analysis at an aggregate level had determined some potential for adopting common systems with the United Nations in the areas of travel administration, procurement and payroll. In other areas, however, the requirements of the United

(Mr. Niwa)

Nations and UNDP might be so different that a common system would not be cost-effective. In still other areas, UNDP requirements were not at all covered by the United Nations system.

25. Further detailed analysis at the micro and technological level of data and systems comparison was currently being undertaken with a view to evaluating the long-term suitability of the United Nations systems for UNDP requirements. The reviews were expected to be completed by the end of April 1991, and to result in a tactical plan for UNDP's Administrative Information Systems. The plan would include an appropriate cost-benefit analysis of the applications identified, the recommended implementation strategies, and a statement of the policy and procedural implications for UNDP.

26. It was premature to identify precise financial requirements for further development of the system or the areas it covered. The proposed biennial budget was expected to reflect more or less current levels of expenditure on information systems development, on the assumption that UNDP could use the United Nations information systems to some extent and fund other necessary enhancements from currently proposed appropriations. If, however, financial requirements for the UNDP project were to be significantly higher, a recommendation and proposal would be submitted to the Council on the occasion of the mid-year budget review in June 1992.

27. Mr. PETTITT (United Kingdom) asked whether immediate action was necessary since there were apparently no budgetary implications for the time being.

28. Mr. NIWA (Assistant Administrator and Director of the Bureau for Finance and Administration, United Nations Development Programme) confirmed that no action was necessary as yet. In June 1990 it had seemed that budgetary provisions might be required for both the UNDP and United Nations projects at the current session, but, in fact, that was not yet the case.

29. The PRESIDENT said that, if he heard no objection, he would take it that the Council wished to take note of the statement by the Assistant Administrator.

30. It was so decided.

The meeting rose at 11 a.m.